

# Department of Health and Human Services

## Office of Inspector General Projects



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## FINANCIAL STATEMENT AUDITS

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The Government Management Reform Act of 1994 seeks to ensure that Federal managers have at their disposal the financial information and flexibility necessary to make sound policy decisions and manage scarce resources. This act broadened the Chief Financial Officers Act of 1990 by requiring annual audited financial statements for *all* accounts and associated activities of the Department of Health and Human Services (HHS) and other Federal agencies. The audited FY 2001 consolidated HHS financial statements are due to the Office of Management and Budget (OMB) by February 27, 2002.

### **Audits of FY 2001 Financial Statements**

The following audits of FY 2001 financial statements will be completed and reports issued during FY 2002:

**Centers for Medicare and Medicaid Services**

*OAS; W-00-01-40008; A-17-01-02001*

**Administration for Children and Families**

*OAS; W-00-01-40010; A-17-01-00003*

**Health Resources and Services Administration**

*OAS; W-00-01-40013; A-17-01-00005*

**Indian Health Service**

*OAS; W-00-01-40013; A-17-01-00006*

**National Institutes of Health**

*OAS; W-00-01-40013; A-17-01-00009*

**Centers for Disease Control and Prevention**

*OAS; W-00-01-40013; A-17-01-00010*

**Food and Drug Administration**

*OAS; W-00-01-40013; A-17-01-00008*

**Substance Abuse and Mental Health Services Administration**

*OAS; W-00-01-40013; A-17-01-00004*

**Program Support Center**

*OAS; W-00-01-40003; A-17-01-00007*

**Administration on Aging**

*OAS; W-00-01-40010; A-17-01-00019*

**Consolidated HHS Financial Statements**

*OAS; W-00-01-40009; A-17-01-00001*

**FY 2001 Statement on Accounting Standards (SAS) 70 Examinations**

The following SAS 70 examinations of HHS service organizations will support FY 2001 financial statement audits:

**Center for Information Technology (National Institutes of Health Computer Center)**

*OAS; W-00-01-40012; A-17-01-00012*

**Program Support Center - Major Administrative Support Services:**

**Payment Management System**

*OAS; W-00-01-40012; A-17-01-00013*

**Accounting Operations - Division of Financial Operations**

*OAS; W-00-01-40012; A-17-01-00011*

**Payroll Operations**

*OAS; W-00-01-40012; A-17-01-00014*

**FY 2001 Financial-Related Reviews**

**Federal Agencies' Centralized Trial Balance System Verification**

*OAS; W-00-01-40012; A-17-01-00015*

**Office of Personnel Management Agreed-Upon Procedures**

*OAS; W-00-01-40012; A-17-01-00016*

**Payment Management System Agreed-Upon Procedures**

*OAS; W-00-01-40012; A-17-01-00017*

## **Audits of FY 2002 Financial Statements**

Work is expected to begin in FY 2002 on the following audits of FY 2002 financial statements:

### **Centers for Medicare and Medicaid Services**

*OAS; W-00-02-40008*

*Expected Issue Date: FY 2003*

### **Administration for Children and Families**

*OAS; W-00-02-40010*

*Expected Issue Date: FY 2003*

### **Health Resources and Services Administration**

*OAS; W-00-02-40013*

*Expected Issue Date: FY 2003*

### **Indian Health Service**

*OAS; W-00-02-40013*

*Expected Issue Date: FY 2003*

### **National Institutes of Health**

*OAS; W-00-02-40013*

*Expected Issue Date: FY 2003*

### **Centers for Disease Control and Prevention**

*OAS; W-00-02-40013*

*Expected Issue Date: FY 2003*

### **Food and Drug Administration**

*OAS; W-00-02-40013*

*Expected Issue Date: FY 2003*

### **Substance Abuse and Mental Health Services Administration**

*OAS; W-00-02-40013*

*Expected Issue Date: FY 2003*

### **Program Support Center**

*OAS; W-00-02-40003*

*Expected Issue Date: FY 2003*

**Administration on Aging***OAS; W-00-02-40010**Expected Issue Date: FY 2003***Consolidated HHS Financial Statements***OAS; W-00-02-40009**Expected Issue Date: FY 2003***FY 2002 SAS 70 Examinations**

The following SAS 70 examinations of HHS service organizations will support FY 2002 financial statement audits:

**Center for Information Technology (National Institutes of Health Computer Center)***OAS; W-00-02-40012**Expected Issue Date: FY 2003***Program Support Center - Major Administrative Support Services:****Payment Management System***OAS; W-00-02-40012**Expected Issue Date: FY 2003***Accounting Operations - Division of Financial Operations***OAS; W-00-02-40012**Expected Issue Date: FY 2003***Payroll Operations***OAS; W-00-02-40012**Expected Issue Date: FY 2003*

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**PROGRAM INTEGRITY AND EFFICIENCY**

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**Government Information Security Reform Act**

As required by the Government Information Security Reform Act of 2000, we will evaluate the security programs and any critical systems of the Office of the Secretary and the OIG. The results of this effort will be included in the Department's annual report to OMB and the Congress, as required by law.

The purpose of the Government Information Security Reform Act is to provide a comprehensive framework for establishing and maintaining effective controls over the information resources that support Federal operations and assets. It also creates a mechanism for improved oversight of Federal agency information security programs to ensure compliance with applicable laws and regulations regarding computer security. The law has two requirements for the OIG: to conduct reviews of each operating division's security program and to test an appropriate subset of the Department's critical systems.

*OAS; W-00-02-40016; A-17-02-00000*

### **Compliance With Presidential Decision Directive 63**

We will evaluate the Department's efforts in implementing Presidential Decision Directive 63 of 1998. The directive requires all Federal agencies to secure their critical infrastructures (physical and cyber-based assets) by May 2003. In response, agencies began the process of identifying and securing their critical physical and cyber-based assets. The directive specifically requires that "frequent assessments shall be made of our critical infrastructures' existing reliability, vulnerability, and threat environment because, as technology and the nature of the threats to our critical infrastructures will continue to change rapidly, so must our protective measures and responses be robustly adaptive." Our review, which is part of an initiative by the President's Council on Integrity and Efficiency, will focus on compliance efforts at the Administration for Children and Families, the Centers for Disease Control and Prevention, the Centers for Medicare and Medicaid Services, and the Food and Drug Administration.

*OAS; W-00-00-40001; Various CINs*

### **Electronic Data Processing Internal Controls**

As part of our responsibilities under the Chief Financial Officers Act, we will oversee tests of the internal controls over the Department's electronic data processing (EDP) systems. The act requires that the OIG, or an independent auditor chosen by the OIG, obtain an understanding of the components of internal controls and conduct sufficient tests to support a low assessed level of control risk. This work covers the relevant EDP general and application controls and controls relating to intra-agency and intragovernmental transactions and balances. Any internal controls that are found to be improperly designed, not placed in operation, or ineffective should be reported. The results of this effort will be included in our report on the consolidated HHS FY 2001 financial statements.

*OAS; W-00-01-40017; Various CINs*

## **Annual Accounting of Drug Control Funds**

We will determine whether HHS agencies are in compliance with the Office of National Drug Control Policy requirements for annual accounting of drug control funds. Each year, agencies that participate in the National Drug Control Program are required to submit to the Office of National Drug Control Policy a detailed accounting of all prior-year drug control funds, along with an accompanying OIG “authentication.” We will make this authentication to express a conclusion on the reliability of the HHS assertions regarding its FY 2001 drug control funds, estimated at \$3.3 billion.

*OAS; W-00-02-50019; A-15-02-00000*

## **Escheated Warrants**

We will determine whether States with a large percentage of escheated warrants (uncashed and unclaimed checks) are promptly crediting the Federal programs for the warrants. Federal regulations require that States refund the Federal portion of escheated warrants. Previous reviews found that States did not always timely or properly report the warrants.

*OAS; W-00-99-20011; A-02-99-02004*

## **Nonfederal Audits**

Under OMB Circular A-133, State and local governments, colleges and universities, and nonprofit organizations receiving Federal awards are required to have an annual organizationwide audit of all Federal money they receive. We will continue to review the quality of these audits by nonfederal auditors, such as public accounting firms and State auditors, in accordance with the circular. The objectives of our reviews are to ensure that the audits and reports meet applicable standards, identify any followup work needed, and identify issues that may require management attention.

We also provide up-front technical assistance to nonfederal auditors to ensure that they understand Federal audit requirements and to promote effective audit work. In addition, we analyze and record electronically the audit findings reported by nonfederal auditors for use by Department managers. Our reviews provide Department managers with assurance about the management of Federal programs and identify significant areas of internal control weaknesses, noncompliance with laws and regulations, and questioned costs that require formal resolution by Federal officials.